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***UAC Insurance Mutual***

***Fax***

**To: UACIM Board of Directors:**

Gary R. Herbert, Utah County Commissioner  
Gerald E. Hess, Davis County Deputy Attorney  
Dan McConkie, Davis County Commissioner  
Tony J. Dearden, Millard County Commissioner  
Chad W. Johnson, Beaver County Commissioner  
Royal Norman, Box Elder County Commissioner  
Kent Petersen, Emery County Commissioner  
Ed Phillips, Millard County Sheriff  
Tex Olsen, Sevier County Commissioner  
Sarah Ann Skanchy, Cache County Council Member  
Kent Sundberg, Utah County Deputy Attorney

**From:** Sonya White

**Pages:** 1

**Date:** January 22, 1999

**Re:** Telephonic Conference

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**● Comments:**

Please plan to participate in a telephonic conference to discuss the Reliance reinsurance agreement. The conference is scheduled for Wednesday, January 27 at 9:00 a.m. Call 1-800-944-6239 and ask for the Brett Rich conference.

If you are unable to participate, sign below and fax back.

\_\_\_\_\_ will be unable to join the telephonic conference.

Name of Trustee



## UACIM BOARD OF TRUSTEES TELEPHONIC CONFERENCE

### MINUTES

January 27, 1999, 9:00 a.m.

**BOARD MEMBERS  
PARTICIPATING**

Gary Herbert, *President*, Utah County Commissioner  
Jerry Hess, *Vice President*, Davis County Deputy Attorney  
Dannie McConkie, *Secretary/Treasurer*, Davis County Commissioner  
Tony Dearden, Millard County Commissioner  
Chad Johnson, Beaver County Commissioner  
Royal Norman, Box Elder County Commissioner  
Tex Olsen, Sevier County Commissioner  
Sarah Ann Skanchy, Cache County Council Member  
Kent Sundberg, Utah County Deputy Attorney

**BOARD MEMBERS  
UNABLE TO PARTICIPATE**

Kent Petersen, Emery County Commissioner  
Ed Phillips, Millard County Sheriff

**OTHERS PARTICIPATING**

Brett Rich, Director, UACIM  
Sonya White, UACIM Administrative Assistant

CALL to ORDER

Gary Herbert called the meeting to order and welcomed those participating.

RELIANCE CERTIFICATE of PROPERTY FACULTATIVE REINSURANCE

The Board Members previously received a copy of the corrected Reliance Certificate for review (see attachment #1). Brett Rich explained that the corrections were reviewed by Reliance underwriters and accepted. Dan McConkie made a motion to approve the Reliance Insurance Company Certificate of Property Facultative Reinsurance as corrected. Chad Johnson seconded the motion, which passed unanimously.

Approved on February 26, 1999

  
Dannie R. McConkie, UACIM Secretary-Treasurer  
Davis County Commissioner



**RELIANCE INSURANCE COMPANY**  
**CERTIFICATE OF PROPERTY FACULTATIVE REINSURANCE**

In consideration of the timely payment of the premium and in reliance on the warranties and subject to the general conditions set forth on the page 2 of this document and the limits of liability set forth herein, the Reinsurer does hereby reinsure:

Reinsured Company <b>Utah Association of Counties Insurance Mutual</b> <b>5397 South Vine Street</b> <b>Salt Lake City, UT 84107</b>			
Effective Date <b>January 01, 1999</b>	Expiration Date <b>January 01, 2000</b>	Total Reinsurance Premium <b>\$122,178.</b>	Total Insurance Values <b>\$602,774,687.</b>
Insured <b>Utah Association of Counties <u>Insurance Mutual</u></b>			
Location <b>Per <u>underlying Coverage Agreement</u>, including schedule on file with Reliance Insurance Company</b>			
Perils and Coverage <b>Direct physical loss or damage caused by all risks including Flood and Earthquake covering Real and Personal Property, Extra Expense, Accounts Receivable, Electronic Data Processing Equipment, Electronic Data Processing Extra Expense, Valuable Papers, Transit, and Contractors Equipment subject to sublimits stated on the policy.</b>			
Policy Limits <b>\$100,000,000. per occurrence subject to sublimits stated on the policy.</b>			
Reinsurance Accepted <b>\$100,000,000. per occurrence excess of \$150,000. plus any deductible amount <del>or self insured retention.</del></b>			
Company Retention <b>\$150,000. plus any deductible amount <del>or self insured retention.</del></b>			
Special Provisions/Warranties <b>See Attached.</b>			
Specific Exclusions/Reinsurance <b>Exclusion of Certain Computer-Related Losses (Y2K exclusion <u>per Coverage Agreement</u>).</b>			

Countersigned by: Daniel W. Phelps Authorized Representative



### **General Property Conditions**

In consideration of the timely payment of the premium, and subject to the terms, conditions and limits set forth in this Certificate, Reinsurer does hereby reinsure the company named in the Declarations ("Company") in respect of Company's policy identified in the Declarations as follows:

**A. Coverage.** As set forth herein, Reinsurer shall ~~indemnify~~ pay on behalf of the Company, ~~for~~ the amount of loss which the Company has paid incurred under Company's policy reinsured by the Certificate ("policy reinsured"). If this reinsurance is designated in the Declarations as Excess of Loss, ~~than then~~ Reinsurer's obligation to indemnify shall, subject to Reinsurer's limits designated in the Declarations, be excess of the attachment amount of loss stated in the Declarations. If this reinsurance is designated in the Declarations, as pro rata, Reinsurer's obligation to indemnify shall, subject to the limits designated in this ~~the~~ Declarations, be for its pro rata proportionate share of the loss as indicated in the Declarations. The obligation of Reinsurer to indemnify Company, as specified in this Certificate, shall follow the loss of Company as incurred under the coverage terms, conditions, and limits of Company's policy reinsured except as otherwise specifically provided for in the Special Provisions section of the Declarations or in an endorsement attached to this Certificate.

**B. Loss Expense.** In addition to its obligation to indemnify Company for loss, Reinsurer shall be liable for its proportionate share of allocated loss expense incurred by the Company under the policy reinsured in the same ratio that Reinsurer's share of that loss bears to the total amount of that loss under the policy reinsured. If no loss was incurred and this reinsurance is pro rata, then Reinsurer will pay its pro rata proportion of the allocated loss expense incurred with respect to the alleged loss. The term "allocated loss expense" means all costs and expenses allocable to a specific claim that are incurred by Company in the investigation, appraisal, adjustment, defense, appeal and settlement of claims or suits, including a proportionate amount of the salaries and travel expenses of company employed staff adjusters temporarily assigned to the ~~filed~~ field adjustment of the loss but excluding all other Company salaries and expenses. All expenses incurred by Company in regard to any alleged or actual liability beyond the coverage terms, conditions and limits of the policy reinsured shall not be covered under this Certificate.

**C. Salvage.** Reinsurer will be paid or credited by Company with its proportionate share of salvage or subrogation, that is, reimbursement obtained or recovery made by Company, less all expenses paid by Company in making that recovery. If the reinsurance afforded by this Certificate is on an excess of loss basis, salvage and subrogation shall be applied in the inverse order in which the loss attached.

**D. Term.** Reinsurer's coverage period under this Certificate shall be specified at 12:01 A.M. as to both dates as specified in the Declarations.

**E. Copy of Policy.** Company shall furnish Reinsurer within sixty (60) days of attachment of coverage with a full copy of the policy reinsured and all endorsements thereto ("closings"). Company shall also timely notify Reinsurer in writing of all policy changes or changes in risk or hazard which ~~in any manner may~~ substantially affect this reinsurance.

**F. Notice of Loss.** As a condition precedent to coverage under this Certificate, Company shall promptly advise Reinsurer of Company's receipt of any claim, and of any subsequent development pertaining thereto, which may involve this Certificate. The Company has the obligation to investigate and defend against claims or suits affecting this reinsurance and to pursue those claims or suits to final determination. Reinsurer has no obligation to investigate or defend claims or suits, nevertheless, Company, when so requested, will afford Reinsurer an opportunity to be associated with Company at the expense of Reinsurer, in the defense or control of any claim, suit, or proceeding involving this reinsurance. ~~and~~ Company and Reinsurer shall cooperate in every respect in the defense and control of such claim, suit or proceeding.

**G. Cooperation of Company.** Company shall make available for inspection, and place at the disposal of Reinsurer at all reasonable times, all records of Company relating to this Certificate or claims in connection therewith, Company shall cooperate with Reinsurer in the adjustment and settlement of all losses.

**H. Proof of Loss.** Company shall furnish Reinsurer proof of loss satisfactory to Reinsurer that ~~payment of~~ loss and allocated loss expense under the coverage terms, conditions and limits of the policy reinsured has actually been made ~~incurred~~ by Company. Payment by Reinsurer of its ~~proportionate~~ share thereof shall be made promptly thereafter, which in no event shall exceed thirty (30) days.

**I. No Third Party Benefits.** In no event shall anyone other than Company or, in the event of Company's insolvency, its receiver, liquidator, or statutory successor, have any rights under this Certificate.

**J. Insolvency.** In the event of insolvency of Company, the reinsurance provided by this Certificate shall be payable by Reinsurer on the basis of the liability of the Company under the policy reinsured as allowed in the insolvency proceeding, without diminution because of such insolvency, directly to Company or its receiver, liquidator, or statutory successor. Reinsurer shall be given written notice of the pendency of each claim against Company on the policy reinsured with a reasonable time after such claim is filed. Reinsurer shall have the right to investigate each such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense which it may deem available to Company or its receiver, liquidator, or statutory successor. The expense thus incurred by Reinsurer shall be chargeable, subject to court approval, against Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to Company solely as the result of the defense undertaken by Reinsurer.





**K. Taxes.** Company will be responsible for all taxes on premiums payable to Reinsurer under this Certificate.

**L. Offset.** Reinsurer may offset any balance(s), whether on account of premiums, commissions, claims, losses, adjustment expense, salvage or any other amount(s) due from one party to the other under this Certificate or under any other agreement heretofore or hereafter entered into between Company and Reinsurer, whether as assuming reinsurer, as ceding company, or otherwise.

**M. Cancellation.** Should Company's policy reinsured be cancelled, this Certificate shall terminate automatically as to any and all policyholders whose policy is cancelled, at the same time and date. ~~This Certificate may also be cancelled for any reason by Company or Reinsurer upon not less than thirty (30) days prior written notice, one to the other, stating when thereafter this reinsurance shall terminate.~~ This Certificate may be cancelled by Reinsurer upon ten (10) days notice to the Company for non-payment of premium or failure to timely deliver closings to Company. Proof of mailing shall be deemed proof of notice. Calculation of the earned premium shall follow Company's calculation in the use of short rate or pro rata tables. Cancellation will be effective even if Reinsurer has not made or offered a refund of the unearned premium with the cancellation notice.

**N. Endorsements.** The terms of this Certificate shall not be waived or changed except as set forth in the Special Provisions Section of the Declarations or by endorsement issued to form a part hereof, executed by a duly authorized representative of Reinsurer and the Company.

**O. Accounts.** Unless otherwise stated in the Declarations, premium due under this Certificate shall ~~terminate be due to be~~ received at Reinsurer's home office address contained herein no later than ~~thirty (30)~~ forty-five (45) days from the date of Reinsurer's billing. Company will return ceding commission on any return premiums at the same rate as originally retained.

**P. Warranties.** Company warrants to retain for its own account subject to any applicable treaty or facultative reinsurance declared in writing to Reinsurer, whether collectible or not, the amount of loss specified in the Declarations. Non-compliance by Company with any warranty set forth in the Retention or Special Conditions sections of the Declarations shall void all coverage under this Certificate.

**Q. Governing Law.** The Certificate shall be governed by the laws of ~~New York~~ Utah exclusive of its rules with respect to conflicts law.

**R. Arbitration Clause.** As a condition precedent to any right of action under this Certificate, all disputes arising out of or relating to this Certificate, whether sounding in tort or contract, and whether arising during or after termination of this Certificate shall be submitted to ~~the decision of~~ a board of arbitration composed of two arbitrators and an umpire, meeting in ~~Philadelphia, Pennsylvania~~ Salt Lake City, Utah. The members of the board of arbitration shall be active or retired disinterested officials of insurance or reinsurance companies or attorneys familiar with reinsurance. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. In the event either party should fail to choose an arbitrator within thirty (30) days following a written request by the other party to enter upon ~~into~~ arbitration, the requesting party may choose two arbitrators who shall in turn choose an umpire before entering upon ~~into~~ arbitration. In the event the two arbitrators fail to agree on an umpire, either party shall have the right to submit the matter to the American Arbitration Association to name an umpire with the required qualifications. Each party shall present its case to the board of arbitrators within sixty (60) ~~days~~ following the umpire's appointment. The board shall make its decision with regard to this Certificate and the custom and usage of the insurance and reinsurance business. The board shall issue its decision based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross-examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the boards shall be final and binding upon all parties to the proceeding. Judgement may be entered upon the award of the board in any court having jurisdiction thereof. The board may award interest (8% per annum) but may not award punitive, exemplary or treble damages. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceeding shall be allocated by the board.

**S. Intermediary.** The intermediary identified in the Declarations, if any, recognized as the intermediary negotiating this Certificate. All communications relating thereto will be transmitted to Company or Reinsurer through the intermediary's office identified in the Declarations. Payment by the Company to the intermediary will be deemed to constitute payment to Reinsurer. Payment by Reinsurer to the intermediary will be deemed only to constitute payment to Company to the extent that such payments are actually received by Company.

**TS.** This Certificate shall not be binding upon Reinsurer unless countersigned by an authorized representative of Reinsurer.

